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PENDING HEALTH CARE BILL CATASTROPHIC FOR STATE BUDGETS

WASHINGTON, D.C. - Passage of federal healthcare legislation in its current form would have a catastrophic impact on state budgets, says Mississippi Governor Haley Barbour, chairman of the Republican Governors Association.

On Thursday, Governor Barbour and four former governors who are now United States Senators told reporters that states cannot absorb costs of the proposed Medicaid expansion.

"It is already clear that the states cannot afford any new Medicaid costs. It is increasingly obvious that the Senate Leadership must not know how the proposed changes will affect the states. The Senate should abandon its current approach to Medicaid and find common ground," Governor Barbour said in a statement released on Friday.

Under the health legislation currently under consideration, Congress is counting on putting 15 million-20 million more people into the Medicaid program albeit with promises of enhanced federal funding. Fresh evidence from the National Association of State Budget Directors (NASBO) demonstrates that states are in no position to accept any increased costs of expanding Medicaid.

"Such unfunded mandates would necessarily cause states to raise taxes or cut vital services like education and law enforcement - more than we already have. Mandating a one-size-fits-all solution for states and expanding a broken Medicaid system - without reform - is poor policy," Governor Barbour said.

The Fiscal Survey of States: December 2009 shows that the budget situation faced by states truly is unprecedented. States cannot afford their current share of the Medicaid program but both the House and Senate bills prevent states from lowering current Medicaid eligibility. Giving Medicaid preferential treatment forces states to make reductions in other program areas.

The Fiscal Survey shows that in the 2010 budgets:

- 31 states cut personnel
- 30 states cut K-12 Education
- 30 states cut Higher Education
- 29 states cut Corrections
- 28 states cut Medicaid
- 25 states cut Transportation
- 22 states cut Public Assistance

And, under the proposed Senate legislation, Mississippi would have to find some \$200 million a year to support the expansion of Medicaid. Other states, such as Indiana, have predicted full implementation of an expanded Medicaid population in ten years would cost Hoosiers an additional \$1 billion a year. Nebraska predicts the cost of expansion will be greater than \$450 million over a 10-year period, while Texas will be saddled with an additional \$18.5 billion to \$24.5 billion over that same time period.

In order to pay for a massive health care bill – the portion not passed along to the states – Majority Leader Harry Reid creates a host of new federal taxes totaling \$370.2 billion in the next 10 years, and many of the taxes will start being collected in 2010 even as the economy continues to struggle.

Among the various new taxes in the Reid bill, is a \$6.7 billion “fee” on insurers. In reality, this fee is structured as an insurance premium tax that will be passed directly on to consumers. If enacted, it would add an average 1.5 percent to the cost of the health insurance policies currently purchased by over 65 American, starting in 2010. The Senate health insurance premium tax would impose new costs on Americans who already have coverage while deferring for years the even larger amounts that Congress proposes to spend subsidizing those without coverage.

Further, Senator Reid’s bill includes \$118.1 billion in cuts to the Medicare Advantage program while limiting senior citizens’ choices to spend their own money to ensure access to lifesaving care.

Americans understand this bill would be bad for the United States. In Nebraska, 67 percent oppose President Obama’s plan to increase the role of the federal government in health care and increase the cost of the deficit. When asked if you would advise your Member of Congress to support this currently proposed health care bill, 56 percent of Nevadans and 57 percent of Coloradans would ask their Member of Congress to vote against the bill.

American citizens and Republicans are not alone. Democrats such as Senator Claire McCaskill (D-MO), Senator Russ Feingold (D-WI), Senator Jim Webb (D-VA) and Senator Bill Nelson (D-FL) have voiced concerns on the record with this bill as well as Governors Dave Freudenthal (D-WY), Governor Brian Schweitzer (D-MT), Governor Ed Rendell (D-PA), and Governor Phil Bredesen (D-TN).

“We don’t need to centralize control in D.C. in order to improve American health care cost and quality. Simple, no-nonsense solutions exist to the problems in health care today, such as state-designed insurance exchanges, which reflect the particular needs and political culture that prevails in each state, state-based health insurance market reforms, and more transparency of price and provider performance. The more appropriate role of the federal government would be tax reform to stop punishing individuals who have no choice but to buy health insurance in the private market, and who today cannot get tax relief,” Governor Barbour said.

“I urge Senators not to vote with President Obama and their so-called quest to make history, but rather to vote for their states and taxpayers. Above all, any healthcare reform should result in more affordable and better quality healthcare,” Governor Barbour said.

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